

BUDGET LETTER

		NUMBER:	07-26
SUBJECT:	EMPLOYEE COMPENSATION ADJUSTMENTS	DATE ISSUED:	September 10, 2007
REFERENCES:	PAY LETTERS 07-01D, 07-26, 07-34, 07-35, 07-35A, AND 07-36	SUPERSEDES:	BL 06-33

TO: Agency Secretaries
Departmental Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Budget Officers are required to forward a copy of this Budget Letter (BL) to departmental Personnel and Labor Relations Officers.

This BL addresses the impact of the 2007-08 employee compensation adjustments approved through the collective bargaining process and provides background information and related costing instructions for these adjustments. This BL provides departments with instructions to request additional current year and budget year funding for adjustments effective in 2007-08.

I. Background

The state has executed Memoranda of Understanding (MOUs) with 19 of the 21 collective bargaining units (Units) for agreements covering 2007-08, with each scheduled to receive salary increases:

- Unit 1, Service Employees International Union (SEIU)
- Unit 3, SEIU
- Unit 4, SEIU
- Unit 5, California Association of Highway Patrolmen (CAHP)
- Unit 7, California Statewide Law Enforcement Association (CSLEA)
- Unit 8, California Department of Forestry Firefighters (CDFF)
- Unit 9, Professional Engineers in California Government (PECG)
- Unit 10, California Association of Professional Scientists (CAPS)
- Unit 11, SEIU
- Unit 12, International Union of Operating Engineers (IUOE)
- Unit 13, IUOE
- Unit 14, SEIU
- Unit 15, SEIU
- Unit 16, Union of American Physicians and Dentists (UAPD)
- Unit 17, SEIU

- Unit 18, California Association of Psychiatric Technicians (CAPT)
- Unit 19, American Federation of State, County, and Municipal Employees (AFSCME)
- Unit 20, SEIU
- Unit 21, SEIU

This letter provides departments with instructions for scheduling the 2007-08 employee compensation adjustments for state employees represented by the 19 Units with current agreements ratified by both membership and the Legislature, and similar adjustments for excluded employees as approved by the Department of Personnel Administration (DPA).

These instructions do not apply to personnel of the University of California, the California State University, the Hastings College of Law, or State Active Duty personnel of the Military Department.

II. Employee Compensation Adjustments

A. Treatment of Budget Documents

See Attachment A of this letter for instructions on the treatment of budget documents (Planning Estimates, Supplementary Schedule of Appropriations (Schedule 10s), and the Governor's Budget (Detail of Appropriations and Adjustments (RWA), Changes in Authorized Positions (CIAP), and Expenditures by Category (Summary by Object)).

B. Instructions

Budget staff of the affected departments must complete and submit the appropriate attachments to their respective Department of Finance (Finance) Budget Analysts no later than Friday, September 28, 2007. The information is necessary to support the funding request and to provide the necessary scheduling information to process the Budget Executive Order to transfer appropriation authority from Item 9800 to the support appropriations for the respective departments. Refer to the following attachments to determine eligible adjustments and to prepare departmental funding requests:

- Attachment 1, DEPARTMENTAL REQUEST
- Attachment 2, LIST OF BARGAINING UNITS
- Attachment 3, LIST OF ELIGIBLE ADJUSTMENTS
 - Attachment 3a, ADULT AND DJJ NOT TO RECEIVE SALARY ADJUSTMENTS FOR BARGAINING UNIT 3 (SEIU), S03, AND M03 (the classifications listed DO NOT receive the adjustments listed on Attachment 3)
 - Attachment 3b, ONE STEP FOR BARGAINING UNITS 1 AND 3 (SEIU), S01, M01, AND M03
 - Attachment 3c, NOT TO RECEIVE SALARY ADJUSTMENTS FOR BARGAINING UNIT 7 (the classifications listed DO NOT receive the adjustments listed on Attachment 3)
 - Attachment 3d, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 7
 - Attachment 3e, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 7
 - Attachment 3f, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 7
 - Attachment 3g, STEP AT MAX SALARY ADJUSTMENT FOR BARGAINING UNIT 7
 - Attachment 3h, SALARY ADJUSTMENTS FOR BARGAINING UNIT 9 AND RELATED EXCLUDED
 - Attachment 3i, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 10

- Attachment 3j, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 18
- Attachment 3k, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 20
- Attachment 3l, NOT TO RECEIVE SALARY ADJUSTMENTS FOR M01, S01, E, E97, E98, AND E99 (the classifications listed DO NOT receive the adjustments listed on Attachment 3)
- Attachment 3m, 3.4% SALARY ADJUSTMENTS FOR E SEASONALS
- Attachment 4, MISCELLANEOUS AND SPECIAL SALARY ADJUSTMENTS WORKSHEET
- Attachment 5, HEALTH BENEFIT ADJUSTMENT WORKSHEET
- Attachment 6, INTERAGENCY AGREEMENT WORKSHEET
- Attachment 7, SCHEDULING WORKSHEET
- Attachment 8, PLANNING ESTIMATE ADJUSTMENT WORKSHEET
- Attachment 9, LIST OF HEALTH, DENTAL, AND VISION BENEFIT ADJUSTMENTS
- Crossties

To request funding for eligible adjustments, departments must complete and submit Attachments 1, 4, 5, 7, 8, and Crossties to their respective Finance Budget Analysts. Departments should submit Attachment 6 as appropriate. After calculating the departmental total on Attachment 1, if the department total equals or exceeds \$1,000, departments must schedule the total request by appropriation item on Attachment 7 and post these adjustments on Attachment 8.

Electronic links have been added to some of the attachments to assist departments in completing them. The totals on Attachments 4, 5, and 6 will automatically flow into the appropriate areas of Attachment 1. Departments are still responsible for completing the Fund Split Total by Fund Class on Attachment 1 for both current year and budget year.

C. Interagency Agreements

Contracting departments requesting funding for the employee compensation adjustments associated with increased costs of interagency agreements must coordinate with the reimbursed department in order to correctly complete Attachment 6. Attachment 6 must be completed by the department that funds the interagency agreement (contracting department). Employee compensation and benefit adjustments for these departments will be considered under the following conditions:

- Personnel funded by the interagency agreement must be eligible for an adjustment, as approved by DPA and identified in this BL.
- The reimbursed department must incur additional costs resulting from the employee compensation and benefit adjustments approved by DPA and identified in this BL. Departments are required to calculate and enter these amounts on Attachment 6. These adjustments should be calculated by the reimbursed department as part of their regular employee compensation adjustments and the amount entered as reimbursements. The contracting department must enter the amount as General Fund, special funds, or nongovernmental cost funds as appropriate on Attachment 6 (flows to Attachment 1).
- Any interagency agreement included on Attachment 6 must be amended by the affected departments to reflect the corresponding funding request.
- For each individual interagency agreement, the total adjustment must be at least **\$10,000** to be eligible for inclusion on Attachment 6.

D. Employer's Health Benefit Contribution

Adjustments to the Employer's Health Benefits Contribution were negotiated and approved for most represented employees addressed in this BL and for related excluded employees. The DPA has transmitted specific health contribution adjustment data to departments through Personnel Management Liaisons (PML) 2007-021. To calculate the 2007-08 Employer's Health Benefit Contribution adjustment, departments should refer to Attachment 9 and calculate the adjustment on Attachment 5.

E. Miscellaneous and Special Salary Adjustments

Various employee compensation adjustments were negotiated and approved for represented employees addressed in this BL and for related excluded employees, beginning in 2007-08. The DPA has transmitted specific classification and pay adjustment data to departments through Pay Letters 07-01D, 07-26, 07-34, 07-35, 07-35A, and 07-36. A complete list of the salary adjustments can be found on Attachment 3.

No additional funds will be provided for adjustments not appearing on Attachment 3. Miscellaneous and special salary adjustments will not be provided for overtime or temporary help blankets.

Departments must pay close attention to the provisions in the MOUs for costing purposes.

F. Salary Driven Payroll Benefits – State Employer Cost

Funding will be provided for the following salary-driven payroll benefits applicable to the miscellaneous and special salary adjustments:

- OASDI (Social Security) - 6.2 percent of total salary (base salary plus increase) up to the \$ 99,900 cap (for each position covered by OASDI) for 2007-08 and 2007-08 as indicated in BL 07-17 (Price Letter).
- Medicare - 1.45 percent of total salary (no cap).
- Retirement - departments must use the 2007-08 retirement rates reflected in BL 07-20. This information will be used in completing Attachment 4 and flows to Attachment 1. Employees in the Alternate Retirement Program should be considered Tier 1 when calculating the contribution rate for this BL.
- **Other increased costs will not be funded.**

III. Unallocated Reduction

The Governor reduced the amount appropriated in Item 9800-001-0001 as a means of effecting an across-the-board, unallocated General Fund Reduction. Departments are required to reduce their employee compensation requests by the unallocated reduction amounts listed on Attachment B. Departments listed on Attachment B will still provide their employees the full amounts of employee compensation increases approved by the DPA, and will do so by redirecting from within their budgets. Departments not listed on Attachment B are not subject to this unallocated reduction. Departments should label their adjustment "Reduction" and post it to Attachment 4 under "Amount of Change".

IV. Due Dates

Departments are required to return all attachments, as appropriate, along with related supporting documentation, to their respective Finance Budget Analyst as soon as possible, but no later than **Friday, September 28, 2007**. Finance Budget Analysts must have the completed attachments from their departments turned into the Employee Compensation Unit by **Friday, October 5, 2007**. Departments should include their employee compensation adjustments in the first pass of their Three-year Schedule 10s and Budget Spreadsheets. If departments cannot include their employee compensation adjustments as part of their first pass, they should not hold up these budget documents but should include the adjustments on a subsequent pass.

V. Questions

Please direct your questions to the following entities:

- Questions related to provisions of an MOU should be directed to the departmental labor relations officer or DPA.
- Treatment of budget documents should be directed to your Finance Budget Analyst.
- Technical guidance on provisions of, or attachments to, this BL should be directed to Koreen Hansen or Amanda Wallace of Finance, Employee Compensation Unit, at (916) 445-3274

/s/ Tom Dithridge

Tom Dithridge
Program Budget Manager

Attachments

TREATMENT OF BUDGET DOCUMENTS

A. Planning Estimates (PE)

Employee Compensation Adjustments – Post the Net Increase Total from Attachment 8 to PE line 0110 and the Staff Benefits Total from Attachment 8 to PE line 0120 for each item of appropriation for both current and budget years. These costs include both the miscellaneous and special salary adjustments and the health benefit adjustments, if applicable. Post the Interagency Agreement Total for the contracting department from Attachment 6 to PE line 0700.

B. Schedule 10s

The current year Schedule 10s must reflect an adjustment for the employee compensation adjustments (Attachment 7). Using the Schedule 10s, an Executive Order will be issued to adjust departmental appropriations for the employee compensation adjustments for current year. The following example is provided as a guideline:

Example 1: Allocation for Employee Compensation:

Personal Services ^{a/} or Program A ^{a/ b/}	\$XXX
Reimbursements	-\$XXX
Operating Expenses and Equipment ^{c/}	\$XXX

^{a/} Personal Services excluding those adjustments pertaining to OE&E

^{b/} Amounts paid to other departments (Reimbursements).

^{c/} Adjustments pertaining to Interagency Agreements only

In addition, departments are to include this amount in their 2008-09 Budget Year Schedule 10 initial authorized/expenditure totals.

C. Automated Detail of Appropriation and Adjustments (RWA) Report

For current year, the Automated RWA Report will display the employee compensation adjustments on the line entitled "Allocation for employee compensation".

D. Changes in Authorized Positions (Schedule 2)

Departments must post the salaries reflected on Attachment 4 for current and budget years to the Salary Adjustments line in the Changes in Authorized Positions.

E. Expenditures by Category (Summary by Object):

Contracting agencies should include their interagency agreement totals (Attachment 6) as Operating Expenses and Equipment on the Expenditures by Category (Summary by Object). Reimbursed departments should include this total as salaries and benefits in the Summary by Object. Departments must post the remaining salaries and benefits reflected on Attachment 4 for current year and budget year to the salaries and benefits portion of the Summary by Object.

TREATMENT OF BUDGET DOCUMENTS**F. Tie Points**

The following information must tie for current year (2007-08):

- Attachment 1: Current Year Total (2007-08)
- Attachment 1: Fund Split 2007-08 Total
- Attachment 7: 2007-08 (Current Year) Total Budget Adjustment for Employee Compensation
- Attachment 7: Total Adjustment, All Funds
- Attachment 8: 2007-08 Total Adjustment, All Funds

The same information must tie for budget year (2008-09).

Additionally, the following information must tie (links have been provided between spreadsheets):

- Attachment 4: Amount of Change to Attachment 1: Miscellaneous and Special Salary Adjustments line, Amount of Change
- Attachment 4: Salary Savings to Attachment 1: Miscellaneous and Special Salary Adjustments line, Salary Savings
- Attachment 4: Net Increase to Attachment 1: Miscellaneous and Special Salary Adjustments line, Net Increase
- Attachment 4: Staff Benefits to Attachment 1: Miscellaneous and Special Salary Adjustments line, Staff Benefits
- Attachment 4: Miscellaneous and Special Salary Adjustments line, Total Cost to Attachment 1: Total Cost
- Attachment 5: Total to Attachment 1: Health Benefits Adjustment line, Staff Benefits
- Attachment 1: Health Benefits Adjustment line, Staff Benefits to Attachment 1: Health Benefits Adjustment line, Total Cost
- Attachment 6: Total Compensation Adjustment to Attachment 1: Interagency Agreements line, Total Cost

Unallocated Reduction		
	(Whole Dollars)	
Org Code	Department	\$72 Million Distribution 8.576%
0160	Legislative Counsel Bureau	\$382,820
0250	Judicial Branch	\$1,346,970
0280	Commission on Judicial Performance	\$21,562
0500	Governor's Office	\$115,708
0510 ¹	State & Consumer Services, Secretary	\$8,016
0520	Business Transportation & Housing, Secretary	\$6,969
0530	California Health and Human Services Agency, Secretary	\$17,474
0540	Resources Secretary	\$14,922
0552	Inspector General	\$71,997
0555	Environmental Protection, Secretary	\$1,916
0558	Education Secretary	\$8,499
0650	Office of Planning & Research	\$28,250
0690	Emergency Services	\$167,847
0750	Lt. Governor	\$132,088
0820	Department of Justice	\$2,076,079
0840	State Controller	\$396,821
0860	Board of Equalization	\$1,174,653
0890	Secretary of State	\$53,257
0950	State Treasurer	\$36,140
0954	Scholarshare Investment Board	\$470
1100	Science Center	\$66,665
1110&1111 ¹	Consumer Affairs, Regulatory Boards	\$2,353
1700	Fair Employment Housing	\$93,038
1705	Fair Employment Housing Commission	\$5,980
1730	Franchise Tax Board	\$2,741,544
1760	Department of General Services	\$808
1880	State Personnel Board	\$23,438
2240	Department of Housing & Community Development	\$33,282
3125	Tahoe Conservancy	\$648
3340	Conservation Corps	\$84,208

3480	Department of Conservation	\$45,937
3540	Department of Forestry & Fire Protection	\$2,488,292
3560	State Lands Commission	\$50,561
3600	Fish & Game	\$490,120
3640	Wildlife Conservation Board	\$1,231
3720	California Coastal Commission	\$77,193
3780	Native American Heritage Commission	\$3,952
3790	Parks & Recreation	\$683,542
3820	San Francisco Bay Conservation & Development Commission	\$22,639
3860	Department of Water Resources	\$215,366
3940	State Water Resources Control Board	\$347,624
3960	Toxic Substances Control	\$54,938
3980	Environmental Health Hazard Assessment	\$47,315
4120	Emergency Medical Services Authority	\$4,405
4140	Statewide Health Planning & Development	\$837
4170	Department of Aging	\$19,725
4200	Alcohol & Drug Programs	\$55,915
4260	Department of Health Services	\$1,500,218
4270	Medical Assistance Commission	\$6,937
4280	Managed Risk Medical Insurance Board	\$11,745
4300- HQ	Department of Developmental Services	\$148,279
4300-DC	Department of Developmental Services	\$2,227,959
4440-HQ	Department of Mental Health	\$166,803
4440-Hosp	Department of Mental Health	\$5,688,418
5160	Department of Rehabilitation	\$158,439
5175	Child Support Services	\$91,376
5180	Social Services	\$974,181
5225	Department of Corrections & Rehabilitation	\$43,950,048
6110	Department of Education	\$836,006
6120	California State Library	\$63,794
6125	Education Audit Appeals Panel	\$3,002

6255	Summer School for the Arts	\$1,915
6420	Post Secondary Education Commission	\$11,335
6870	Board of Governors of the California Community Colleges	\$65,454
7100	Employment Development Department	\$116,324
7300	Agricultural Regulations Board	\$20,767
7350	Department of Industrial Relations	\$369,054
7980	Student Aid Commission	\$68,851
8140	State Public Defender	\$72,600
8260	Arts Council	\$8,711
8320	Public Employment Relations Board	\$31,016
8380	Department of Personnel Administration	\$56,945
8570	Department of Food & Agriculture	\$366,939
8620	Fair Political Practices Commission	\$45,873
8780	Little Hoover Commission	\$4,271
8820	Commission on the Status of Women	\$2,269
8830	California Law Revision Commission	\$3,910
8855	Bureau of State Audits	\$78,725
8860	Department of Finance	\$199,401
8885	Commission on State Mandates	\$8,657
8910	Office of Administrative Law	\$14,671
8940	Military Department	\$26,849
8955 ²	Department of Veterans Affairs	\$648,570
1 - 1111 and 0510 were adjusted to reflect the shift to 0510.		
2 - Includes 8960, 8965, and 8966.		